

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 4288-01
BILL NO. HB 1861
SUBJECT: Exempts from Sales/Use Tax certain Motor Vehicles
TYPE: Original
DATE: March 7, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Highway Fund	(\$13,152,000)	(\$18,408,000)	(\$19,332,000)
General Revenue	(\$10,356,000)	(\$14,500,000)	(\$15,224,000)
School District Trust Fund	(\$3,453,000)	(\$4,832,000)	(\$5,076,000)
Conservation Sales Tax Fund	(\$955,000)	(\$1,336,000)	(\$1,405,000)
Parks & Soils Sales Tax Fund	(\$767,000)	(\$1,071,000)	(\$1,123,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$28,683,000)	(\$40,147,000)	(\$42,160,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Cities	(\$2,092,000)	(\$2,931,000)	(\$3,077,000)
County Aid Road Trust Fund	(\$1,396,000)	(\$1,954,000)	(\$2,051,000)
Total Estimated Net Effect on Local Funds	(\$3,488,000)	(\$4,885,000)	(\$5,128,000)

Numbers within parentheses: () indicate costs or losses

FISCAL ANALYSIS

ASSUMPTION

The **Missouri Highway Patrol (MHP)** does not expect to be fiscally impacted since the MHP is already exempt from sales tax.

The **Department of Revenue (DOR)** assumes that costs of \$3,000 would be incurred by the Motor Vehicle Bureau for procedure revisions, notification materials, envelopes and postage. The DOR indicated that it would defer to the MoDOT's estimates on sales and use tax loss estimates.

The **Department of Transportation (MoDOT)** assumes that there would be a substantial decrease in revenue generated. MoDOT identified the passenger car registrations and found that vehicles older than 7 years made up 61.47% of total registered passenger car registrations. MoDOT then researched NADA information and found the difference in average sales price between new and used vehicles. The average sales price of older cars was 19.16% lower than the average price of total vehicles sold between 1981 and 1999. MoDOT then obtained the number of sales and use transactions from the Department of Revenue in FY 99. The number of sales transactions were 708,210 and the number of use transactions were 466,181. Using these estimates, MoDOT calculated the total loss to the various Motor Vehicle Sales Tax Funds of approximately \$40 million in FY 2002.

The **Office of Administration (COA), Division of Budget & Planning** concurs with DOR's estimate of lost revenue.

This proposal would result in a decrease to Total State Revenues.

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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HIGHWAY FUND

Cost - DOR

Forms and policies - printing and postage	(\$3,000)	\$0	\$0
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Loss

Exemption from Tax	(\$13,152,000)	(\$18,408,000)	(\$19,332,000)
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**ESTIMATED NET EFFECT ON
HIGHWAY FUND**

(\$13,155,000) (\$18,408,000) (\$19,332,000)

GENERAL REVENUE FUND

Loss

Exemption from Tax	(\$10,356,000)	(\$14,500,000)	(\$15,224,000)
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**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

(\$10,356,000) (\$14,500,000) (\$15,224,000)

SCHOOL DISTRICT TRUST FUND

Loss

Exemption from Tax	(\$3,453,000)	(\$4,832,000)	(\$5,076,000)
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**ESTIMATED NET EFFECT ON
SCHOOL DISTRICT TRUST FUND**

(\$3,453,000) (\$4,832,000) (\$5,076,000)

CONSERVATION SALES TAX FUND

Loss

Exemption from Tax	(\$955,000)	(\$1,336,000)	(\$1,405,000)
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**ESTIMATED NET EFFECT ON
CONSERVATION SALES TAX FUND**

(\$955,000) (\$1,336,000) (\$1,405,000)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001 (10 Mo.)	FY 2002	FY 2003
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PARKS & SOILS SALES TAX

Loss

Exemption from Tax	(\$767,000)	(\$1,071,000)	(\$1,123,000)
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**ESTIMATED NET EFFECT ON
PARKS & SOILS SALES TAX**

(\$767,000) (\$1,071,000) (\$1,123,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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LOCAL

Loss-Cities

Exemption from Tax	(\$2,092,000)	(\$2,931,000)	(\$3,077,000)
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Loss-County Aid Road Trust Fund

Exemption from Tax	(\$1,396,000)	(\$1,954,000)	(\$2,051,000)
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**ESTIMATED NET EFFECT ON
LOCAL FUNDS**

(\$3,488,000) (\$4,885,000) (\$5,128,000)

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact on small used car dealerships.

DESCRIPTION

The proposal exempts from state and local sales and use tax all purchases of motor vehicles manufactured at least 7 years prior to the date of the purchase. Motor vehicles designed for carrying freight, merchandise, or more than 8 passengers do not qualify for the exemption.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget & Planning
Department of Transportation

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive script.

Jeanne Jarrett, CPA
Director
March 7, 2000